Canadian Pacific Investments Limited | Annual Report 1969

Principal Subsidiary Companies

Central-Del Rio Oils Limited

Head Office: Calgary 21, Alberta
Natural Resources Building,
205-9th Avenue S.E.

CanPac Minerals Limited

Head Office: Calgary 21, Alberta
Natural Resources Building,
205-9th Avenue S.E.

Fording Coal Limited

Head Office: Trail, British Columbia

Pacific Logging Company Limited

Head Office: Victoria, British Columbia
468 Belleville Street

Marathon Realty Company Limited

Head Office: Calgary 21, Alberta
Natural Resources Building,
205-9th Avenue S.E.

Vancouver 2, British Columbia
Room 212, C.P.R. Station

Edmonton 15, Alberta
10012 Jasper Avenue

Lethbridge, Alberta
Room 218, 740-4th Avenue S.

Regina, Saskatchewan
2124 Broad Street

Winnipeg 2, Manitoba
Room 312, 150 Henry Avenue

Toronto 1, Ontario
69 Yonge Street

Montreal 101, Quebec
Suite 1930, Place du Canada

Canadian Pacific Hotels Limited

Head Office: Royal York Hotel,
Toronto 116, Ontario

Empress Hotel,
Victoria, British Columbia

*Palliser Hotel, Calgary 21, Alberta

*Banff Springs Hotel, Banff, Alberta

*Chateau Lake Louise,
Lake Louise, Alberta

Chateau Lacombe, Edmonton, Alberta

Hotel Saskatchewan,
Regina, Saskatchewan

Skylon Restaurants,
Niagara Falls, Ontario

Le Château Champlain,
Montreal 101, Quebec

Le Baron Motor Hotel,
Sherbrooke, Quebec

Le Baron Motor Hotel,
Trois Rivières, Quebec

Le Château Frontenac,
Quebec City 4, Quebec

*Algonquin Hotel,
St. Andrews, New Brunswick

*Hotels owned by
Canadian Pacific Railway Company

Canadian Pacific Securities Limited

Head Office: Montreal 101, Quebec
Room 247, Windsor Station

Cominco Limited

Head Office: Montreal 101, Quebec
630 Dorchester Blvd. West

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Name
Nom

Address
Adresse

City
Ville Province

reholders

olders of Canadian Pacific Investments Limited
, 1970, at Le Château Champlain, Place du
daylight saving time, if operative), for the

prove the Report of the Directors,
nancial Statements and Report of the
nded December 31st, 1969;

orize the Board of Directors to fix their

as may properly come before the meeting.

By order of the Board,
J. C. Ames, Secretary.

Montreal, March 6th, 1970.

Contents

Board of Directors and Officers

Directors

*W. A. Arbuckle,
Chairman of the Canadian Board,
The Standard Life Assurance Company,
Montreal

*A. M. Campbell,
Chairman and chief executive officer,
Sun Life Assurance Company of Canada,
Montreal

*N. R. Crump, *Chairman of the Company,*
Canadian Pacific Railway Company, Montreal

R. Hendricks,
President and Chief Executive Officer,
Cominco Ltd., Montreal

S. E. Nixon, *Vice-Chairman,*
Dominion Securities Corporation Limited,
Montreal

H. M. Pickard, *Executive Vice-President,*
Canadian Pacific Investments Limited, Calgary

*The Hon. Duff Roblin, P.C., *President,*
Canadian Pacific Investments Limited,
Montreal

*Ian D. Sinclair,
President and Chief Executive Officer,
Canadian Pacific Railway Company, Montreal

G. J. van den Berg, *Vice-President, Finance,*
Canadian Pacific Railway Company, Montreal

*Member of Executive Committee

Officers

N. R. Crump,
Chairman and Chief Executive Officer,
Montreal

The Hon. Duff Roblin, P.C., *President,*
Montreal

Ian D. Sinclair, *Vice-President,*
Montreal

H. M. Pickard, *Executive Vice-President,*
Calgary

G. J. van den Berg,
Vice-President, Investments, Montreal

F. A. Rutherford, *Comptroller,* Montreal

D. E. Sloan, *Treasurer,* Montreal

J. C. Ames, *Secretary,* Montreal

Transfer Agent and Registrar

Montreal Trust Company, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Stock Listings

Preferred Shares, Series A:
Montreal, Toronto and Vancouver Stock Exchanges

The Canadian economy entered 1969 on a strong upward swing. As the year progressed a slowing of activity became evident. Monetary policies designed to reduce inflationary pressures brought about reductions in the availability of capital and increases in the cost of money. The Company's operations were necessarily influenced during the course of the year by these and other changes in the economic environment. Nonetheless, substantial progress can be reported.

An important development during the year was the exchange of all the outstanding shares of Canadian Pacific Oil and Gas Limited for additional shares in Central-Del Rio Oils Limited thereby increasing CPI's interest in the latter company to 89.3%. The pooling of the resources of these two companies has created one of the largest independent petroleum exploration and producing companies in Canada.

Panarctic Oils Ltd., in which Central-Del Rio and Cominco Ltd. each has a 9% interest, entered a new phase during the year when drilling operations gave an indication of potential hydrocarbon resources in the Canadian Arctic islands. Another important event was the signing of a long-term contract by Fording Coal Limited, in which CPI has a 60% interest, for the sale of 45 million tons of coking coal to Japan.

The Company's interest in real estate continued to grow while at the same time operations were reviewed in order to take into account national public policy considerations.

During the year the Company added to its portfolio investment in natural resource oriented companies. The book value of the Investment Portfolio at the end of the year was $264.6 million and its estimated market value was $249.5 million. The major companies included in this Portfolio command a solid position within their respective industries and show a satisfactory potential for future growth.

Consolidated net income of the Company in 1969 amounted to $44.9 million, compared with $43.7 million in 1968. After provision for dividends on the Preferred shares, income per Common share was 80¢, compared with 77¢ in the prior year. Before extraordinary items, earnings per Common share amounted to 74¢ in 1969 and 75¢ in 1968. Earnings from real estate and related operations were higher. Income from hotels and restaurants and from timberlands and related facilities showed good gains. Investment income was down slightly, as were oil and gas earnings. The equity in the retained income of Cominco Ltd. was lower as that company's earnings continued to be adversely affected by depressed prices of fertilizers.

Dividends totalling $4.7 million, at the rate of 4¾%, payable on the Preferred shares, Series A, were declared during the year. Dividends on the Common shares of the Company amounted to $23.0 million, an increase of $1.5 million over the previous year; the rate in 1969 went up to 46¢ per share, from 43¢ in 1968.

Net investment in properties amounted to $364.7 million, an increase of $122.1 million of which $64.6 million was in oil, gas and other minerals. Other increases were $37.1 million in real estate and related operations, $19.2 million in timberlands and related facilities, and $1.2 million in hotels.

It now appears that 1970 will be a year of considerable uncertainty bringing with it a slower rate of growth in the economy of the country. The Company must expect to face its share of the difficulties ahead. However, in view of the general underlying strength of the resource sector of the Canadian economy and the Company's strategic place in it, the Directors are confident that the Company will continue to grow and make progress in developing its considerable potential. The Directors are particularly encouraged in this view by the enterprise and perseverance of the men and women who comprise the human resources of the Company.

For the Directors,

Duff Roblin

President

N.R. Crump

Chairman and Chief Executive Officer

Montreal, March 6, 1970.

Oil, Gas and Other Minerals

Panarctic Oils Ltd. exploration in the Canadian Arctic during 1969. Central-Del Rio Oils and Cominco each hold a nine per cent interest in Panarctic Oils.

Pooling of Interests
The pooling of interests of Central-Del Rio Oils Limited and Canadian Pacific Oil and Gas Limited which took place during the year is expected to produce a better balance of revenues than either alone enjoyed, broaden the exposure to exploration opportunities, and enhance the effectiveness of capital employed. Under an agreement consummated in October, 1969, Central-Del Rio issued to Canadian Pacific Investments Limited 23,708,000 of its shares in exchange for all the outstanding shares of Canadian Pacific Oil and Gas, thereby giving Canadian Pacific Investments Limited an 89.3% interest in Central-Del Rio.

CanPac Minerals Limited
Prior to the merger, Canadian Pacific Oil and Gas transferred to Canadian Pacific Investments Limited or to CanPac Minerals Limited its holdings of developed mineral rights not related to oil and gas, and certain other assets. CanPac Minerals Limited is a wholly-owned subsidiary incorporated in April, 1969 to acquire, explore and develop mineral properties.

Coal
Another major development of 1969 was the signing of a 15-year contract for the export to Japan of a total of 45 million long tons of coking coal from the Fording River coal property of CanPac Minerals in British Columbia. Delivery of the coal is to commence in April, 1972. Fording Coal Limited, in which CPI and Cominco Ltd. have 60% and 40% interests, respectively, is developing the property and the project is being managed by Cominco. Work progressed during the year on clearing and grading land and building access roads. Construction of plant facilities is expected to commence in the Spring of 1970.

Surveyor works on Fording Coal Limited property in British Columbia. Mine will begin exporting coal to Japan in 1972 under contract to supply 45 million tons of coking coal over 15-year period.

Financial

Net income for the year from oil, gas and other minerals amounted to $11.2 million. These comprise earnings from operations of Canadian Pacific Oil and Gas Limited and its wholly-owned subsidiaries for the first nine months of 1969 and the consolidated results of operation, less minority interest, of Central-Del Rio for the last quarter of the year. In addition, earnings of CanPac Minerals Limited are included from commencement of its operations to the end of the year. Not included are the Company's equity in the income of Central-Del Rio during the first nine months of the year nor the dividend received from Central-Del Rio in the first half of the year, totalling $501,000 and included elsewhere in the income statement.

Production

Increased production of crude oil, natural gas and sulphur was achieved during the year. Net daily production of crude oil, including natural gas liquids, increased from 23,770 barrels in 1968 to 24,341 in 1969. Net daily production of natural gas averaged 156.6 million cubic feet, a 24% increase over the 126.5 million cubic feet of 1968. Average sulphur production was up to 265 long tons per day, an increase of 30 long tons over 1968.

Production of minerals other than oil and gas accounted for higher revenues than in the previous year. Increased coal production more than offset the effect on revenues of current depressed conditions in the potash industry.

Extent of Interests

The combined petroleum and natural gas rights of Central-Del Rio and Canadian Pacific Oil and Gas extend over approximately 20 million net acres of land in Manitoba, Saskatchewan, Alberta, British Columbia, the Northwest Territories, Lake Erie, offshore Nova Scotia and in the North Sea. This is apart from the direct and indirect interests held through

Panarctic Oils Ltd., which has mineral rights in over 50 million acres in the Canadian Arctic islands.

Exploration
The oil and gas exploration and development program undertaken in 1969 was more extensive and diverse than in any preceding year. Gas discoveries were made in southern Alberta, notably in West Jumping Pound, and in northeastern British Columbia. Oil discoveries were made in southern Alberta and southeastern Saskatchewan. A total of 102 gross (65.9 net) wells was drilled, of which 23 (16.9 net) oil and 16 (9.7 net) gas were successful. At year end net interests were held in 428.8 oil and 266.1 gas wells producing or capable of production.

Major exploration efforts on other minerals were concentrated on the search for additional reserves of coking coal on properties acquired under permit in Alberta. Joint exploration for uranium and other metals continued throughout the year in British Columbia and Ontario.

Reserves
At December 31, estimated net proven and probable reserves totalled 189.6 million barrels of crude oil and natural gas liquids (1968 – 180.4), 1,428 billion cubic feet of natural gas (1968 – 1,484) and 4.5 million long tons of sulphur (1968 – 3.0).

Panarctic Oils Ltd.
The Federal government and the private companies participating in Panarctic Oils Ltd. agreed early in 1970 to increase their commitments of capital from the present $30 to $50 million. This is considered necessary to permit longer term financial planning and achieve a maximum earnings position in the lands under development.

Panarctic drilling on Melville Island in 1969 gave an indication of hydrocarbons in the Canadian Arctic islands.

Bow River Pipe Lines Ltd.
This 50%-owned company, which operates 378 miles of mainline and gathering oil pipelines in southern Alberta, increased its throughput by 20% in 1969.

Income from timberlands and related facilities, at $3.1 million, was up $675,000 over 1968. Sales and operating revenue for the year amounted to $26.6 million, an increase of $4.5 million, while expenses of $23.5 million were $3.8 million higher.

Sales
Log and lumber prices fluctuated widely during the year. In the early months of 1969 prices continued an upward climb to reach record highs, in response to heavy demand associated with an upsurge in housing starts in the United States. This rise was accentuated by a log shortage caused by adverse weather conditions in British Columbia. A drastic reduction in housing starts late in the Spring, combined with continued expansion of lumber production, caused a drop in prices. By year end the demand for lumber was poor and prices were lower than they had been a year earlier.

Log sales from operations on Vancouver Island and mainland British Columbia reached a record 243 million board feet, up slightly over 1968. Initial sales were made during the year to Cipa Sawmills Ltd., which has completed construction of a new sawmill at Nanaimo for the manufacture of lumber for export to the Japanese market. Pacific Logging owns a 20% interest in Cipa.

Sales of lumber from the Slocan mill benefited from the unprecedented demand in the first half of the year. The ability to supply a wide variety of species and grades kept sales higher than might have been thought likely in view of the unsatisfactory condition of

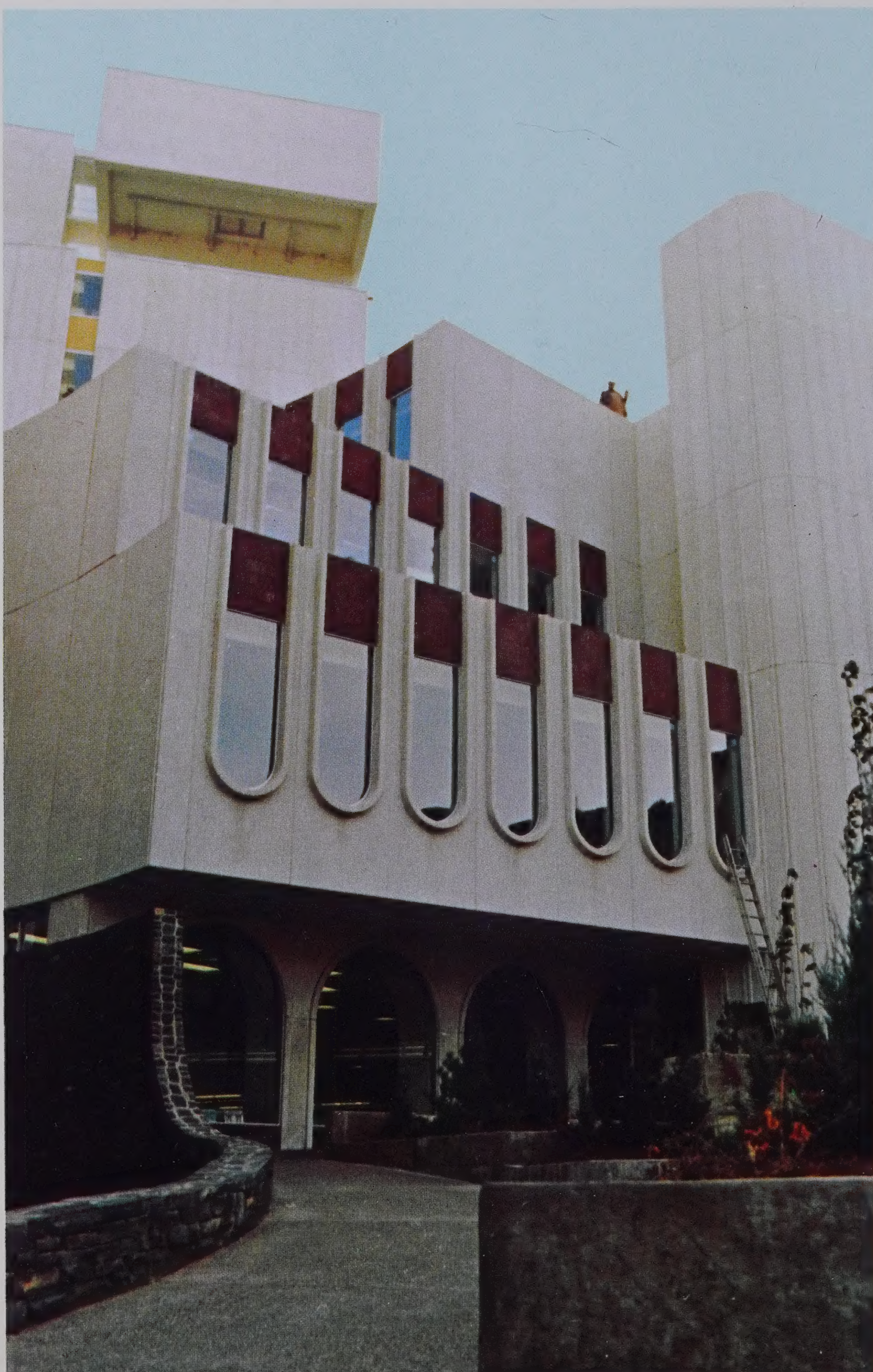
Aircraft spreads fertilizer over Pacific Logging timber stand on Vancouver Island. During 1969, 1,700 acres were fertilized and more than two million new trees were planted by the company.

the market in the latter half. The total of 44.8 million board feet of lumber sold in 1969 compares with 30.0 million board feet for the last eight months of 1968, the period the mill was operating following settlement of a strike.

Capital Expenditures
Capital expenditures of $22.7 million for the year included $19.6 million for the purchase of timberlands and $2.2 million for construction of an additional 85 miles of road.

Reforestation
More than 2 million trees were planted in 1969 on some 4,700 acres, and 1,700 acres were fertilized. New planting methods have been adopted to obtain better initial survival of seedlings. A seed orchard is being developed and the first significant cone crop is expected in 1970.

West block of Palliser Square development in downtown Calgary opened in 1969 by Marathon Realty. Project is one of several Marathon has planned or under way in Canadian urban centres.



Expansion of the diversified activities of Marathon Realty Company Limited continued during the year. Additional lands were acquired to complement existing holdings and significant progress was made in the development of industrial, residential and commercial properties across Canada. Changes in market conditions, however, occasioned by tightened credit and the high cost of money, necessitated some redirection of activity.

Income from real estate and related operations amounted to $2.1 million for the year, an increase of $769,000. Earnings from real estate were higher as was income from the operation of grain elevators, livestock markets and storage facilities. Earnings from agricultural lands decreased, entirely attributable to the reduction in wheat sales.

Industrial Properties

A total of 13 plants and warehouses was constructed and leased during the year in the Company's industrial parks and at other locations. Phase II of Keele Centre, the eight-acre multi-tenant industrial complex in Toronto was completed in September. At the close of 1969 there were 68 tenants occupying 3.5 million square feet of industrial space on industrial lands developed by Marathon.

In 1969 Marathon Aviation Terminals Limited, in which Marathon Realty has a 50% interest, merged with Timmins Aviation Terminals Limited to form one of the largest companies in Canada specializing in the development of airport ground facilities. During the year this company completed construction of a hangar and air cargo building at Montreal International Airport and had two flight kitchens under construction for completion in 1970.

Other Commercial Developments

The "Princess Promenade", a tourist-oriented project in Victoria was begun at year end. Located in front of the Empress Hotel and the

Five-storey communication centre and office building completed in 1969 to become the first structure of 23-acre "Project 200" city core development in Vancouver, B.C.

Summerlea Industrial Park, Montreal, Que. At the close of 1969, 68 tenants occupied 3.5 million square feet of industrial space developed by Marathon Realty across Canada.

Provincial Parliament buildings, it is to contain special tourist attractions, boutiques and a restaurant. It also encompasses new facilities for ferry services. The first phase is planned for completion in May, 1970.

Smaller commercial developments, mainly shopping centres, were completed at Cornwall, Ontario, at Wetaskiwin, Alberta, and at Assiniboia, Saskatchewan. In addition, development got under way of a shopping plaza at Lethbridge, Alberta and of a 40-store complex at Kamloops, B.C. and plans were completed for construction of others at Galt, Ontario and Kelowna, B.C.

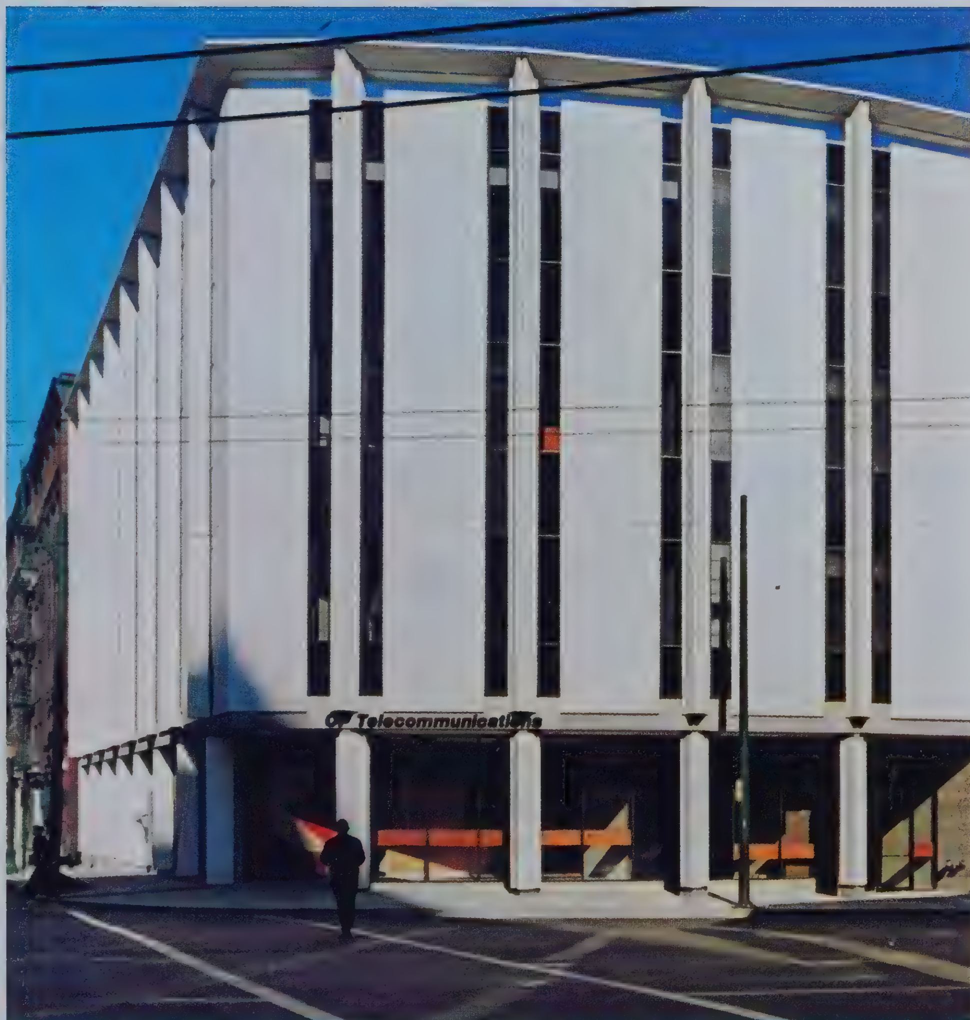
Residential

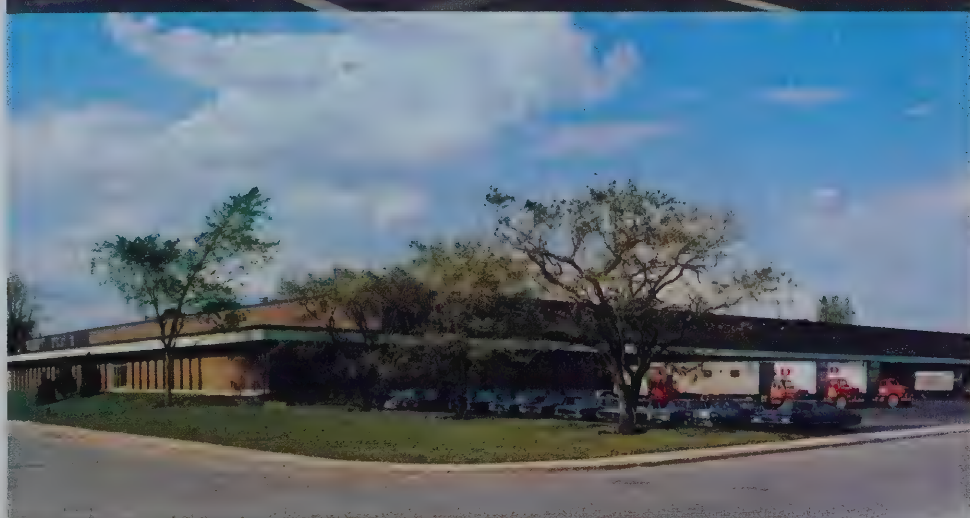
Strathcona House in Edmonton, a 220-suite development overlooking the North Saskatchewan River and the Provincial Parliament buildings, was completed and fully operational in 1969.

Completion of the residential projects in Vancouver – Shawnoaks and Langara Gardens – was delayed by strikes. Shawnoaks, a 72-unit townhouse development was completed in October, while Langara Gardens, which is to contain a total of 534 high-rise and garden apartments and townhouse units, had 210 units rented by the end of the year. The remainder are expected to be ready by August, 1970.

Palliser Square

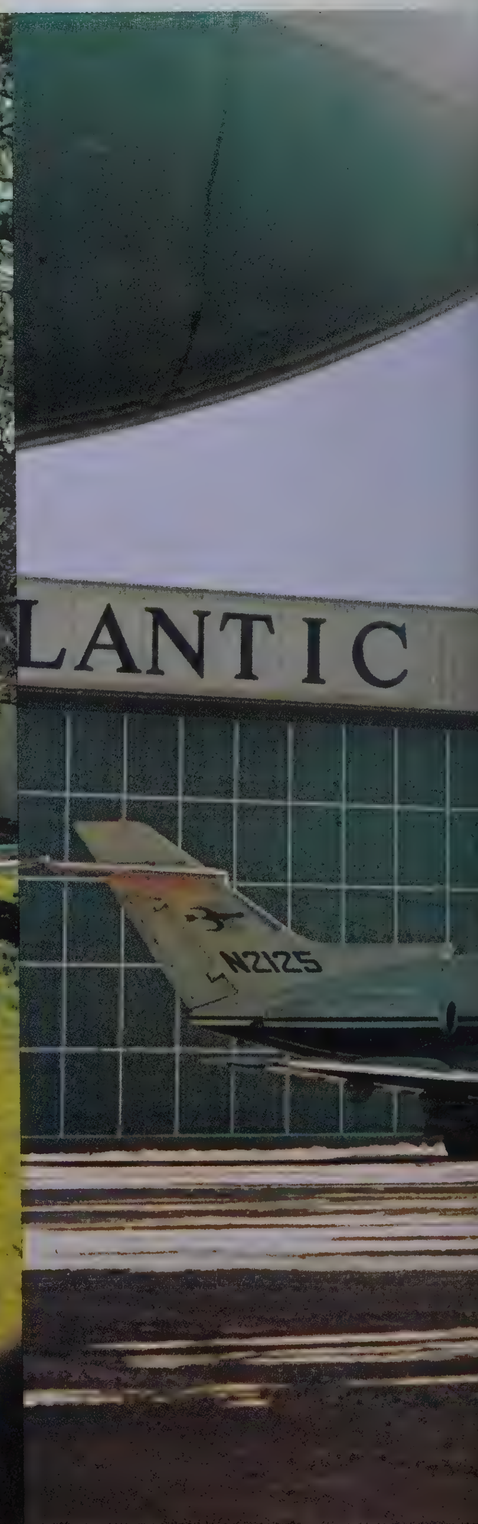
Palliser Square, one of the most comprehensive urban developments in Western Canada, continued on schedule. Structures completed to date include a 626-foot observation tower, a low-rise commercial and office building and a parking facility. Under construction are: additional low-rise commercial space, a 26-storey office tower, a 202-suite apartment building and a second stage parkade. This development, which is being opened in phases, will be completed by the Spring of 1971.





Langara Gardens residential project in Vancouver, B.C. Development will contain 534 high-rise and garden apartments and townhouse units on completion in 1970.

New hangar structure at Montreal International Airport opened in 1969 by Marathon Aviation Terminals, a company specializing in development of airport ground facilities.



CP Hotels flight kitchen at Montreal International Airport under construction in 1969. Kitchen will serve a number of airlines, including CP Air.

"Project 200"
Plans for construction of an office building in Canada Square, the first major phase of the 23-acre development of the Vancouver waterfront, have now been completed. Work on this building and the surrounding plaza is expected to commence in the near future. A five-storey communication centre and office building, the first structure to go up in this project, was ready in August and leased to CP Telecommunications.

Metro Centre
Planning is going ahead for the development of this 190-acre parcel of land adjoining the downtown core of Toronto. The responsibility for advancing the project has been assumed by a company jointly owned by Marathon and Canadian National known as Metro Centre Developments Limited.

During 1969 Metro Centre Developments Limited devoted its major effort to processing the many complexities of the master plan through the various levels of government so that the necessary approvals and agreements can be obtained in 1970.

Capital Expenditures
Capital expenditures for the year amounted to $38.5 million. They included $7.9 million for purchase of properties, $17.4 million for shopping centres and other commercial projects, $7.5 million for industrial parks and sites and $5.7 million for residential and other developments.

Banff Springs Hotel at Banff, Alta., which opened for its first winter season in 1969 as a year-round resort.

Hotels and Restaurants

Intensified marketing activities in a more favorable market situation produced net earnings from the operation of hotels and restaurants of $864,000 for the year, in contrast to the loss of $443,000 recorded in 1968. Gross operating revenue, at $44.4 million, was up $6.5 million.

The extensive renovation of the Empress Hotel at Victoria attracted increased business and enabled significant improvement to be made in operating efficiency. Business at Le Château Champlain in Montreal rebounded satisfactorily from the depressed level of 1968. All hotels in the chain except one showed significantly improved earnings. The exception was the Hotel Saskatchewan at Regina which was adversely affected by unfavorable local economic conditions.

The Banff Springs Hotel, which is one of four operated for Canadian Pacific Railway Company under management and other agreements, was opened on December 5 for its first season of winter operation and is to remain open year round. The favorable skiing conditions in the area combined with the outstanding facilities of the Hotel should attract large numbers of winter sport enthusiasts not only from Canada but also from the United States.

Capital Expenditures
The program of modernization was continued throughout 1969 with a total of $3.7 million being spent.

Development
Labour disputes resulted in a delay to the construction of the new Le Baron Motor Hotel at Trois Rivières, Quebec, and its opening is now scheduled for April, 1970.

Relocation in a new building at Montreal International Airport of the flight kitchen operation which provides in-flight meals for CP Air and other air carriers was completed early in 1970.

Financing

Canadian Pacific Securities Limited, the financing arm of CPI, increased its borrowings from $114.3 million at the end of 1968 to $198.0 million at the end of 1969. This occurred against the background of continuing deterioration in the supply-demand relationship of funds in the money markets of Canada and the United States. Total loans outstanding at year end, including accrued interest, amounted to $123.1 million compared with $99.0 million in 1968. Of the 1969 total, $78.8 million was to wholly-owned subsidiaries of CPI, $20.2 million was to Cominco Ltd., $17.6 million to other associated companies of CPI and $6.5 million was to Canadian Pacific Air Lines, Limited. Cash and temporary investments amounting to $75.0 million were being held at the close of the year, partly to provide funds for further loans to companies within the Canadian Pacific organization and partly to maintain a liquidity reserve.

Investment Income

Net investment income for the year was $22.1 million, compared with $22.9 million in 1968.

Dividends and interest from the Portfolio and temporary investments were $2.0 million lower, reflecting mainly the investment of funds in equity holdings previously in interest bearing securities. Dividends from Cominco, at $12.4 million, were at the same rate as in the previous year.

Cominco Ltd.

The investment in Common stock of Cominco Ltd. did not change during 1969 and the ownership in that subsidiary remained at 53.2%.

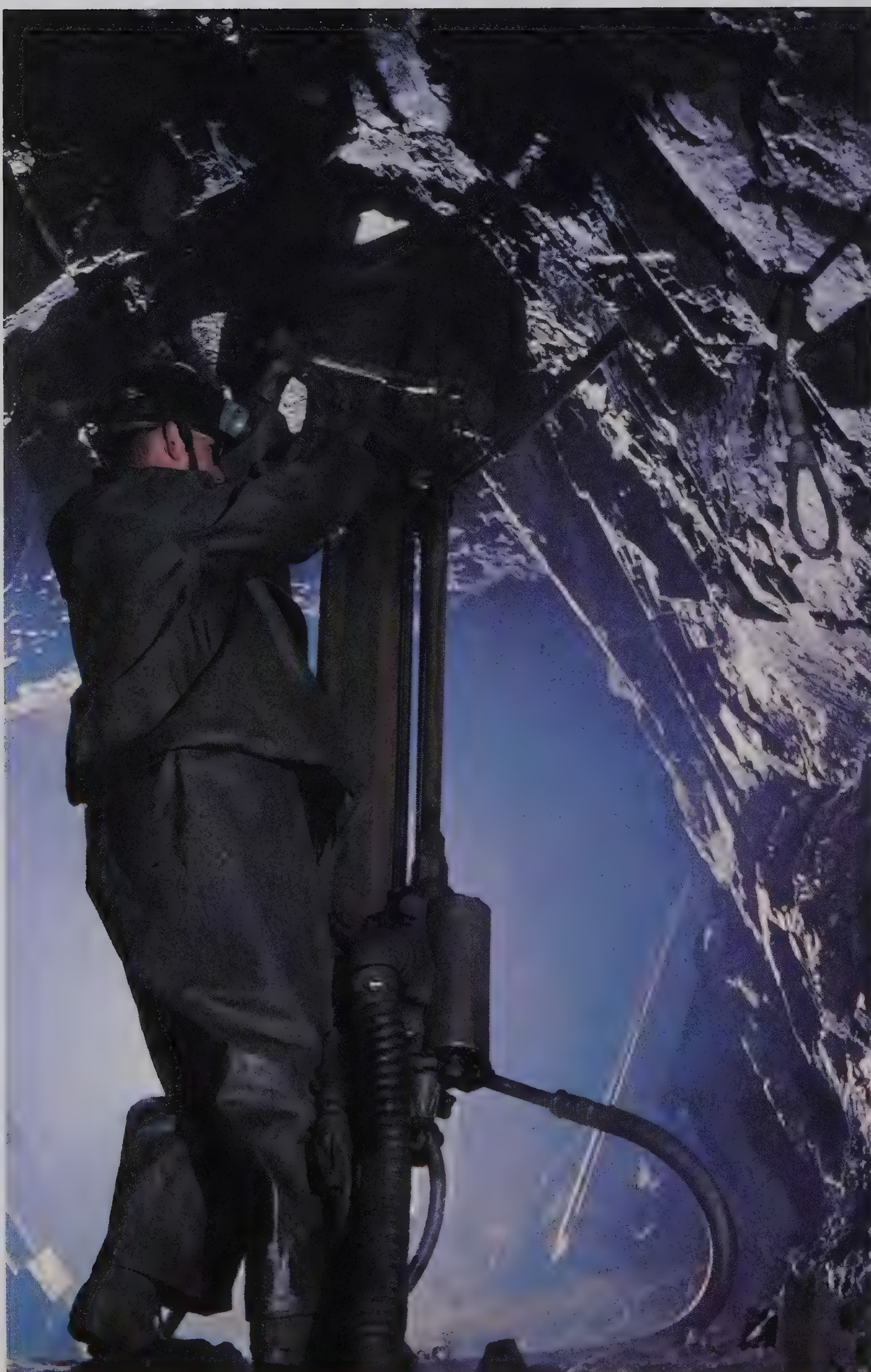
Cominco's consolidated net income for the year was $31.8 million, or $1.91 per share, compared with $34.8 million, or $2.08 per share in 1968. Included in earnings were extraordinary items of $4.5 million in 1969 and $2.5 million in 1968.

Lead and zinc prices improved progressively throughout 1969 making a major contribution to profits from mines of both Cominco and Pine Point Mines Limited. This beneficial effect was more than offset, however, by the continued depressed state of fertilizer markets, which resulted in drastic reduction in income from this segment of the business, and by start-up costs of bringing the potash operation in Saskatchewan into production.

Production of potash from the property in Saskatchewan commenced during the year but seriously depressed prices prevailed due to the severe overproduction in the industry. The ammonia plant of Hill Chemicals, Inc. in Texas, 50%-owned by Cominco American Inc., was operating well above rated capacity at year end. Although markets for ammonia, like other fertilizers, have been depressed, there has been some indication of future improvement.

Control panel of new Cominco potash mine at Vade, Sask. The property, which began production in 1969, makes extensive use of computerized control techniques.

Interior of the Sullivan Mine at Kimberley, B.C., a major source of Cominco's lead and zinc output. Prices of the two minerals improved progressively throughout 1969.



The Magmont lead mine in Missouri, a joint venture with Dresser Industries, Inc., has operated satisfactorily throughout the year at somewhat in excess of design capacity.

Work continued at the Valley Copper Mines Limited property in central British Columbia with results generally confirming earlier findings. Cominco holds a 70% interest in the Valley Copper company and is the developer of the property. The program, at year end, was aimed at completing a feasibility report before the middle of 1970.

Decision was reached with The Anaconda Company to proceed to production with the copper phase of the Caribou property in New Brunswick in which Cominco holds a 25% interest.

An active exploration program was maintained throughout the year in Canada and various other countries with several significant mineral occurrences under investigation at year end.

Under Federal regulations, the Pinchi Lake mercury mine in British Columbia was granted a three-year tax-free status. This significantly affects earnings from September, 1968 for three years.

Investment Portfolio

The book value of the Investment Portfolio, excluding temporary investments, was $264.6 million at the end of 1969, compared with $276.0 million at the close of the previous year. The estimated market value at December 31, 1969 was $249.5 million. Details of the holdings in the Portfolio are given on page 21.

Common stock holdings, which totalled $222.9 million at year end, decreased by $8.8 million. With the acquisition of control in Central-Del Rio Oils, the investment in that company was removed from the Portfolio.

The holding of $6.5 million of shares of The Huron and Erie Mortgage Corporation was sold during the year. Major purchases during 1969

are referred to in the brief reviews which follow of those companies in which CPI has sizeable interests.

MacMillan Bloedel Limited
The investment in MacMillan Bloedel Limited, at $64.8 million, was relatively unchanged from 1968. Dividends from the holding, amounting to $2.2 million, were at the rate of $1.00 per share, as in the previous year.

Sales and other income reached an all-time high in 1969. Net earnings were up 9.7%. This performance would have been considerably better had shipments by water not been frustrated for six weeks by a strike of B.C. longshoremen.

The Great Lakes Paper Company Limited
In 1969 the investment in The Great Lakes Paper Company Limited was increased by $15.7 million, bringing the total holding to $36.4 million. As a result of this larger investment, the dividend income for 1969 of $1.3 million was considerably greater than in 1968; the dividend rate of $1.00 per share was unchanged.

The earnings of this company were better in 1969 as a result of continued growth in chemical pulp shipments and an increase in newsprint shipments, which had declined in the previous year owing to lengthy strikes.

Trans-Canada Pipe Lines Limited
The investment of $61.0 million in common and preferred stocks of Trans-Canada Pipe Lines is the same as a year ago. Dividends received of $1.9 million were at the same rates as in 1968. This company experienced start-up problems in the early months of the year in connection with its new Great Lakes 1,000-mile system. This, together with a shut-down of the Northern Ontario section during the summer months while an up-grading program was being carried out, and delays in completing the facilities of inter-connecting systems in the U.S. and Alberta were factors accounting for lower earnings in 1969.

Rio Algom Mines Limited
During the year a further $1.9 million was invested in Rio Algom Mines Limited, bringing the total holding of common and preferred stocks of that company to $29.2 million. Dividend income from the investment amounted to $542,000 in 1969; the dividend rate of 40¢ per common share was the same as in 1968. This company's revenues and earnings were higher than in the previous year mainly because of increased copper and uranium production and higher copper prices. Stainless steel sales and earnings also increased despite the short supply of nickel.

Union Carbide Canada Limited
At the end of 1969 an investment of $18.4 million was held in Union Carbide Canada Limited, an increase of $1.9 million over 1968. Dividends received during the year totalled $469,000, and were at the rate of 60¢ per share, the same as in 1968. Record sales and increased earnings were reported by this company for 1969.

The Investors Group
The investment in The Investors Group was increased during the year by $7.5 million, bringing the total to $16.2 million, represented by 1,328,400 shares. Dividend income from this holding amounted to $405,000, at the rate of 40¢ per share. Subsequent to the end of the year 1,028,400 common shares of this company were sold for 420,000 common shares of Northern and Central Gas Corporation Limited, 241,900 6% cumulative redeemable preferred shares of Consolidated-Bathurst Limited and $2.5 million cash.

Stock Holdings
At December 31, 1969 there were 24,728 registered shareholders of the Preferred shares, Series A, of whom 98.9% were resident in Canada. At year end there were outstanding 50,077,538 Common shares. Of these, 50,000,000 were owned by Canadian Pacific Railway Company.

Directorate
Upon reaching retirement age on January 15, 1970, Mr. F. V. Stone retired from the position of President of the Company and resigned from the Board of Directors and the Executive Committee. The Board of Directors desire to record their recognition and appreciation of Mr. Stone's able leadership and outstanding contribution to the affairs of the Company during its formative years. The Hon. Duff Roblin was elected President of the Company succeeding Mr. Stone and Mr. H. M. Pickard was elected Executive Vice-President and appointed a Director to fill the vacancy on the Board created by Mr. Stone's resignation.

Statement of Consolidated Income for the year ended December 31

	1969	1968
	(in thousands)	
Oil, Gas and Other Minerals		
Gross operating revenue	**$28,101**	$25,335
Expenses including income taxes	**16,870**	13,485
Net income	**11,231**	11,850
Timberlands and Related Facilities		
Sales and operating revenue	**26,610**	22,138
Expenses including income taxes	**23,500**	19,703
Net income	**3,110**	2,435
Real Estate and Related Operations		
Gross rentals and other income	**13,236**	9,500
Expenses including income taxes	**11,165**	8,198
Net income	**2,071**	1,302
Hotels and Restaurants		
Gross operating revenue	**44,435**	37,940
Expenses including income taxes	**43,571**	38,383
Net income	**864**	(443)
Financing		
Gross operating revenue	**12,709**	6,352
Expenses including income taxes	**12,581**	6,202
Net income	**128**	150
Investment Income		
Dividends		
Cominco Ltd.	**12,431**	12,335
Other subsidiary companies not consolidated	**274**	209
Other investment income	**10,937**	12,920
	23,642	25,464
Expenses including income taxes	**1,517**	2,516
Net income	**22,125**	22,948
Net Income from Operations (after income taxes of – 1969 – $11,890,000; 1968 – $10,663,000) (Note 9)	**39,529**	38,242
Equity in income of subsidiaries not consolidated in excess of dividends included above (Note 2)	**2,252**	4,078
Consolidated Income before Extraordinary Items	**41,781**	42,320
Extraordinary items (Note 8)	**3,158**	1,330
Consolidated Net Income (Note 7)	**$44,939**	$43,650
Per common share after preferred dividends		
Consolidated income before extraordinary items	**74¢**	75¢
Consolidated net income	**80¢**	77¢

See Notes to Financial Statements

Statement of Consolidated Retained Income for the year ended December 31

	1969	1968 (in thousands)
Balance, January 1		
As previously reported	**$125,849**	$111,059
Deduct:		
Prior period adjustments (net)	**23**	2,629
As restated	**125,826**	108,430
Add:		
Net income for the year	**44,939**	43,650
Equity in undistributed net income of Central-Del Rio Oils Limited for period prior to acquisition of majority interest (Note 1)	**2,715**	—
	173,480	152,080
Deduct:		
Dividends		
Preferred shares	**4,724**	4,749
Common shares	**23,032**	21,505
	27,756	26,254
Balance, December 31	**$145,724**	$125,826

See Notes to Financial Statements

Consolidated Balance Sheet, December 31	1969	1968 (in thousands)
Assets		
Current Assets		
Cash and temporary investments, at cost (approximates market)	**$100,830**	$ 37,836
Deposits with Canadian Pacific Railway Company	**4,215**	7,938
Demand loans and accrued interest – affiliated companies	**6,543**	—
Accrued interest receivable from Cominco Ltd.	**209**	208
Dividends and other accrued interest receivable	**3,347**	2,013
Accounts receivable	**16,090**	10,693
Inventories, at the lower of cost and market	**5,588**	3,669
Prepaid expenses	**1,232**	1,073
	138,054	63,430
Investment Portfolio, at cost (market value 1969 – $249,468,000; 1968 – $315,105,000)	**264,621**	276,031
Investments in Subsidiary Companies not Consolidated (Note 2)		
Cominco Ltd.	**188,255**	183,761
Other	**7,678**	5,443
	195,933	189,204
Other Investments, at cost		
Term loans – affiliated companies	**—**	5,000
Other	**19,105**	12,367
	19,105	17,367
Properties, at cost		
Oil, gas and other minerals	**200,178**	107,481
Timberlands and related facilities	**65,696**	43,571
Real estate and related operations	**105,941**	68,414
Hotels	**65,496**	61,765
	437,311	281,231
Less: Accumulated depreciation, depletion and amortization	**72,597**	38,637
	364,714	242,594
Other Assets	**4,207**	3,500
Excess of Cost of Shares of Subsidiary Company over Equity in Net Assets at Date of Acquisition (Note 1)	**6,868**	—
	$993,502	$792,126

Approved on behalf of the Board
Duff Roblin, Director
Ian D. Sinclair, Director

See Notes to Financial Statements

	1969	1968
		(in thousands)
Liabilities		
Current Liabilities		
Accounts payable and accrued charges		
Canadian Pacific Railway Company	**$ 11,417**	$ 2,617
Other	**19,407**	13,283
Notes and accrued interest payable		
Subsidiary companies not consolidated	**1,100**	648
Other	**178,856**	73,288
Income and other taxes payable	**2,942**	8,924
Dividends payable	**11,518**	10,755
Long term debt maturing within one year	**9,671**	2,006
	234,911	111,521
Deferred Liabilities	**6,982**	1,945
Deferred Credits		
Deferred income taxes	**42,339**	24,081
Other	**1,247**	1,138
	43,586	25,219
Long Term Debt (Note 4)	**48,765**	24,180
Minority Shareholders' Interest in Subsidiary Company	**10,060**	—
Shareholders' Equity		
Capital Stock – (Note 3)		
Preferred shares		
Authorized – 12,500,000 shares of a par value of $20 each		
Issued – 4,964,046 (1968 – 4,993,315) 4¾% Cumulative Redeemable Convertible Voting, Series A	**99,281**	99,866
Common shares		
Authorized – 100,000,000 shares without nominal or par value		
Issued – 50,077,538 (1968 – 50,015,852) shares	**322,393**	321,769
Paid-in surplus	**81,800**	81,800
Retained income (Note 3)	**145,724**	125,826
	649,198	629,261
	$993,502	$792,126

Auditors' Report to the Shareholders of Canadian Pacific Investments Limited

We have examined the consolidated balance sheet of Canadian Pacific Investments Limited and subsidiary companies as at December 31, 1969 and the statements of consolidated income, consolidated retained income and consolidated source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In respect of the equity in the undistributed net income of Cominco Ltd., we have relied upon the report of the auditors who examined its financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the changes in reporting of income as explained in Note 7 to the financial statements.

Price Waterhouse & Co., Chartered Accountants
Montreal, Quebec, March 4, 1970

Statement of Consolidated Source and Application of Funds for the year ended December 31

		1969	1968
			(in thousands)
Source of Funds			
Net income		**$ 44,939**	$ 43,650
Deduct: Equity in net income of subsidiaries not consolidated in excess of dividends received		**4,658**	5,408
		40,281	38,242
Depreciation, depletion and amortization		**12,478**	10,708
Deferred income taxes		**7,111**	5,012
Minority interest in income of subsidiary		**249**	—
Funds from operations		**60,119**	53,962
Capital stock issued			
Common			
Issued	$624		
Less: Conversion of preferred shares	585	**39**	30
Increase in long term debt		**23,585**	24,180
Proceeds from disposal of properties		**3,567**	2,783
Sundries (net)		**4,456**	(2,690)
Decrease in working capital		**48,766**	64,303
		$140,532	$142,568
Application of Funds			
Additions to investment portfolio		**$ 20,096**	$ 37,005
Investment in subsidiary companies not consolidated		**2,394**	7,301
Additions to other investments		**1,738**	9,932
Additions to properties		**88,548**	62,076
Dividends declared		**27,756**	26,254
		$140,532	$142,568

Note – This statement does not reflect the non-cash adjustments arising from the consolidation of the financial statements of Central-Del Rio Oils Limited, as explained in Note 1 to the financial statements.

See Notes to Financial Statements

Consolidated Investment Portfolio as at December 31, 1969

	Number of Shares	Percentage of Outstanding Voting Shares	Cost	Approximate Market Value
			(in thousands)	
Common Stocks				
The Great Lakes Paper Company Limited	1,519,569	42.17	$ 36,432	$ 35,710
Husky Oil Ltd.	522,200	5.41	5,979	6,658
The Investors Group	1,328,400	20.43	16,164	15,276
MacMillan Bloedel Limited	2,155,900	10.32	64,805	72,762
Rio Algom Mines Limited	1,210,869	9.88	28,280	22,098
Trans-Canada Pipe Lines Limited	1,383,840	16.70	51,448	45,667
Union Carbide Canada Limited	825,300	8.25	18,374	12,379
Other			1,457	2,376
			222,939	212,926
Preferred Stocks			28,225	25,360
Bonds, Debentures and Notes			13,457	11,182
			$264,621	$249,468

Notes to Financial Statements

Note 1
Basis of Consolidation

The consolidated balance sheet at December 31, 1968 and the statements of consolidated income and retained income for the year then ended include the accounts of all subsidiaries which were then wholly-owned, namely Canadian Pacific Oil and Gas Limited (CPOG), Marathon Realty Company Limited, Pacific Logging Company Limited, Canadian Pacific Hotels Limited and Canadian Pacific Securities Limited. The accounts of CanPac Minerals Limited, a wholly-owned subsidiary incorporated in 1969, are included in the consolidated balance sheet at December 31, 1969, and in the statements of consolidated income, under oil, gas and other minerals, and retained income from the date of incorporation.

Early in 1969, Canadian Pacific Investments Limited (CPI) increased its interest in Central-Del Rio Oils Limited (CDR) from 49.97% to 51.6%. On September 29, 1969, CDR shareholders approved an agreement whereby CDR acquired from CPI all the outstanding shares of CPOG in exchange for 23,708,000 shares of CDR, thus increasing CPI's interest in CDR to 89.3%. The consolidated balance sheet at December 31, 1969 includes the financial statements of all companies listed above and those of CDR. The statement of consolidated income for the year 1969 includes, under oil, gas and other minerals, the income of CPOG for the period to September 30, 1969, and the consolidated income of CDR for the period from October 1 to December 31, 1969, after deduction of the minority interest of $249,000. CPI's equity in the income of CDR for the period in 1969 prior to October 1 is included in the statement of consolidated income in equity in income of subsidiaries not consolidated. The excess of the cost of CPI's investment in CDR over the book value of the underlying net assets, amounting to $6,868,000, is shown as excess of cost of shares over equity in net assets at date of acquisition in the consolidated balance sheet at December 31, 1969.

Consequent upon the increase in its interest in CDR to 89.3% and the consolidation of the financial statements of CDR, CPI has included in its statement of consolidated retained income its equity of $2,715,000 in the undistributed income applicable to its holdings of CDR for the period from June, 1964, when the first substantial holding of CDR shares was acquired, to the acquisition of control in 1969.

The statement of consolidated income is designed to present the revenues and expenses of the various areas of the companies' operations. To this end, certain operating revenues include amounts charged to other consolidated entities and reflected in expenses elsewhere in the statement. Consolidated net income is not affected by this practice.

Note 2
Investments in Subsidiary Companies not Consolidated

The financial statements of Cominco Ltd. and other unconsolidated subsidiaries are not consolidated because of the existence of substantial minority interests. However, the equity method of accounting has been followed in stating the investments in these companies, so that CPI includes each year in consolidated income its share of their income.

CPI acquired 8,412,500 shares of Cominco Ltd. (51.35%) from CPR in December, 1963 at CPR's average cost of $2.03 per share. Subsequently CPI adjusted the carrying value of these shares to the book value of its equity in the underlying assets as shown by the consolidated financial statements of Cominco Ltd. at December 31, 1963 ($11.75 per share). The excess of the value thus established over the acquisition cost, amounting to $81,800,000, was designated as paid-in surplus. Since 1962 CPI has acquired 467,161 shares of Cominco Ltd. from other sources at market prices and recorded these acquisitions at cost. At December 31, 1968 and December 31, 1969, 53.18% was owned by CPI.

An analysis of investments in unconsolidated subsidiaries is shown below:

	Investments in: Cominco Ltd.	Investments in: Other subsidiary companies not consolidated
	(in thousands)	
Cost of acquisition	$ 31,216	$3,198
Adjustment of carrying value as described above	81,800	—
Equity in net income since acquisition, less dividends received	52,956	(209)
Equity in other increases in retained income	2,283	—
	168,255	2,989
6¼% Notes due May 1, 1972	20,000	—
Advances	—	4,689
	$188,255	$7,678

Note 3
Capital Stock

Each preferred share, series A, is convertible at the option of the holder into two common shares, and is redeemable at CPI's option at $20 per share after November 1, 1972.

At December 31, 1969, 4,994,370 warrants for the purchase of common shares were outstanding. Each warrant entitles the holder to purchase one common share at $12 per share on or before November 1, 1971 and thereafter and on or before November 1, 1974 at $14 per share.

In 1969, a total of 61,686 common shares was issued, consisting of 3,148 shares on exercise of warrants and 58,538 shares on conversion of preferred shares.

Conditions attached to the preferred shares include certain restrictions on distributions on shares ranking junior to the preferred shares. The amount of retained income available for such distributions was approximately $69,000,000 at December 31, 1969.

Note 4
Long Term Debt

	December 31 **1969**	1968
	(in thousands)	
6½% First Mortgage Bonds, maturing 1995, subject under the Trust Deed to annual sinking fund payments based on percentages of the amount outstanding at March 15, 1969, ranging from 1.546% in 1970 to 7.011% in 1994	**$11,176**	$11,186
7½% Bank term loan repayable in quarterly instalments of $1,000,000 commencing August 31, 1969 with a final instalment of $2,000,000 payable on February 17, 1974	**18,000**	15,000
Term loans bearing interest at prime rate plus ¼% repayable in equal monthly instalments to June 1974	**2,310**	—
Term loans bearing interest at prime rate plus ½% repayable in equal semi-annual instalments April 15 and October 15, 1970 to 1974	**26,950**	—
	58,436	26,186
Less: Long term debt maturing within one year	**9,671**	2,006
	$48,765	$24,180

Annual maturities and sinking fund requirements for each of the five years following December 31, 1969 are, 1970 - $9,671,000; 1971 - $10,687,000; 1972 - $10,699,000; 1973 - $10,662,000; 1974 - $6,536,000.

Note 5
Interest Expense

Interest on long term debt for 1969 was $3,623,000 (1968 – $533,000) and on short term notes for 1969 was $10,354,000 (1968 – $5,350,000).

Note 6
Depreciation, Depletion and Amortization

Amounts charged for depreciation, depletion and amortization in the statement of consolidated income were $12,478,000 in 1969 (1968 – $10,708,000).

With effect from January 1, 1969, the sinking fund method of providing for depreciation on major real estate developments has been adopted in place of the straight-line method. The sinking fund method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually. Under this method depreciation charged to income in later years will be substantially higher than the amount charged in earlier years. This change, which has been applied retroactively, had no significant effect on consolidated net income for 1968 or 1969.

The amount of depletion charged expenses for the year 1969 was $5,228,000 (1968 – $4,070,000) and the accumulated depletion at December 31, 1969, is $37,868,000 (1968 – $16,697,000).

Note 7
Changes in Reporting of Income

With effect from January 1, 1969, CPI has adopted the recommendations of The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants with respect to the reporting of extraordinary items of income and expense

and of adjustments relating to prior years. Consequently, extraordinary items have been shown separately and opening retained income restated to reflect prior period adjustments. Effect has also been given to the inclusion in income of various items, generally of a non-recurring nature, formerly added to or deducted from retained income.

Note 8
Extraordinary Items

Extraordinary items comprise, in 1969, net gain on disposal of investments, $752,000; equity in gains on sales of land and mining investment of Cominco Ltd., $1,655,000; and equity in reduction in income taxes of a subsidiary of Cominco Ltd. resulting from losses and tax credits of prior years, $751,000; and, in 1968, equity in gain on sale of hydro-electric plant of Cominco Ltd., $1,330,000.

Note 9
Income Taxes

The provision for income taxes reflected in net income from operations, in the total amount of $11,890,000 (1968 – $10,663,000), includes $7,111,000 (1968 – $5,012,000) in respect of deferred income taxes.

The companies have followed the practice of charging against income both the income taxes currently payable and tax deferments resulting from timing differences between write-offs for book and for tax purposes. In computing deferred income taxes in respect of oil, gas and other minerals an estimated tax rate which is less than the current effective rate has been used. While The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants has recommended the use of current effective rates in such a situation, CPI believes its procedures result in adequate provision for deferred income taxes. CPI's policy is more conservative than the general practice in the oil and gas industry in Canada, where the majority of companies do not provide any amount for income tax deferred as a result of claiming drilling, exploration and lease acquisition costs in excess of amounts written off in the accounts (a practice which is accepted by accounting authorities outside Canada).

The additional amounts which would have been provided if current effective tax rates had been used are $1,900,000 for the year ended December 31, 1968, and $2,000,000 for the year ended December 31, 1969. The total additional amount which would have been provided to December 31, 1969, is $11,900,000.

Note 10
Commitments and Contingencies

Commitments for capital expenditures were $14,620,000 at December 31, 1968, and $28,850,000 at December 31, 1969.

Fording Coal Limited, a 60% owned subsidiary, has negotiated bank loans of U.S. $50,000,000 of which CPI has guaranteed 60% and Cominco Ltd. 40%. CPI and Cominco Ltd. will also be contingently liable under a guarantee of 60% and 40% respectively of a five-year loan for U.S. $10,000,000 being negotiated by Fording Coal Limited with the Export-Import Bank of the United States.

Note 11
Foreign Exchange

Cash and temporary investments include deposits with United States banks which have been translated into Canadian dollars at the rates in effect at the balance sheet dates. Gains or losses on exchange are included in or charged to income.

Note 12
Directors' Remuneration

From company and subsidiaries consolidated	$151,000
From subsidiaries not consolidated	147,000

Five-year summary	1965	1966	1967	1968	1969
			Figures in thousands, except amounts per share		
Net income from operations					
Oil, gas and other minerals	$ 7,733	$ 8,723	$ 10,609	$ 11,850	**$ 11,231**
Timberlands and related facilities	592	(167)	542	2,435	**3,110**
Real estate and related operations	469	637	1,226	1,302	**2,071**
Hotels and restaurants	608	692	870	(443)	**864**
Financing	—	41	204	150	**128**
Investment income	21,491	22,119	19,793	22,948	**22,125**
	30,893	32,045	33,244	38,242	**39,529**
Equity in income of subsidiaries not consolidated	10,969	9,963	6,710	4,078	**2,252**
Income before extraordinary items	41,862	42,008	39,954	42,320	**41,781**
Extraordinary items	—	7,668	4,207	1,330	**3,158**
Consolidated Net Income	$ 41,862	$ 49,676	$ 44,161	$ 43,650	**$ 44,939**
Dividends — Preferred shares	—	—	—	$ 4,749	**$ 4,724**
— Common shares	$ 20,065	$ 20,065	$ 20,065	21,505	**23,032**
Number of Shares Outstanding					
Common	47,191	48,324	50,000	50,016	**50,078**
Preferred	—	—	5,000	4,993	**4,964**
Per Common Share after Preferred Dividends					
Income before extraordinary items	88¢	86¢	78¢	75¢	**74¢**
Consolidated net income	88	102	86	77	**80**
Dividends	42	41	40	43	**46**
Investments at year end					
Portfolio	$187,456	$192,031	$239,026	$276,031	**$264,621**
Subsidiaries not consolidated	127,662	148,604	176,495	189,204	**195,933**
Properties	127,763	160,027	194,665	242,594	**364,714**